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## THE LITTLE HOOVER COMMISSION

### PUBLIC HEARING ON GOVERNOR SCHWARZENEGGER'S EXECUTIVE REORGANIZATION PLAN FOR BOARD AND COMMISSIONS

**January 26, 2005  
State Capitol**

#### TESTIMONY THE CALIFORNIA STATE UNIVERSITY

**Mr. Allison G. Jones  
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The Office of the Chancellor**

The California State University (CSU) appreciates the invitation to appear before the Little Hoover Commission today to comment on Governor Schwarzenegger's reorganization proposal to consolidate the functions of the California Postsecondary Education Commission (CPEC) and the California Student Aid Commission (CSAC) into a cabinet level Office of Higher Education and Financial Aid. The California State University supports this proposal for several reasons:

- The Office of Higher Education and Financial Aid will provide a strong voice for higher education within the State's executive branch of government;
- This new office will promote clear policy-making authority to strengthen and improve services to students and to institutions of higher education.
- The consolidation of functions performed by California Postsecondary Education Commission and the California Student Aid Commission will streamline state government while maintaining key functions provided to students, higher education, and the state equally well if not more effectively and efficiently through the new cabinet level Office of Higher Education and Financial Aid;
- The proposal achieves a key recommendation of the California Performance Review Commission that commissions not possess administrative responsibility for day-to-day operations;
- The reorganization plan will result in better service for students seeking financial aid; and
- The Governor's proposal ensures that "students will have access to a consolidated system that provides them the full range of services they need to be successful [to] achieve their academic goals."

The new Office of Higher Education and Financial Aid will achieve one key recommendation of the California Performance Review Commission that commissions not possess administrative responsibility for day-to-day operations. By centralizing and focusing on key policy and planning functions currently performed by CPEC and CSAC into the Office of Higher Education and Financial Aid, the day-to-day operational, programmatic, and administrative functions currently managed by CPEC and CSAC can be delegated to institutions of higher education with appropriate accountability measures. This will enable the Office of Higher Education and Financial Aid to assume the policy and planning functions of CPEC and CSAC by aligning "critical higher education policy and planning functions in California so that policymakers and those charged with implementing higher education programs have immediate access to critical information."

As the Little Hoover Commission considers its recommendations on this reorganization, the CSU strongly recommends that the Office of Higher Education and Financial Aid continue the collection and analysis of information conducted by the CPEC and CSAC to advise the Governor and Legislature about the following public policy and planning activities important to the CSU and to students and their families. Specifically, CSU recommends that the Office of Higher Education and Financial Aid continue the following activities:

- Monitor the State's commitment to and implementation of the California Master Plan for Higher Education;
- Analyze and comment on new academic programs adopted by the CSU Board of Trustees;
- Study the need for new and additional branch campuses;
- Review capital outlay planning and standards adopted by the CSU Board of Trustees;
- Collect, analyze, and recommend policies that address fiscal and program information, including, but not limited to fees, financial aid, and faculty and executive salaries and compensation;
- Establish policy that sets Cal Grant eligibility criteria, funding levels, maximum Cal Grant award amounts, rules for institutional participation in the Cal Grant Programs;
- Perform Cal Grant program reviews to ensure the proper institutional administration of the programs; and
- Conduct a comprehensive public information campaign to provide information about academic preparation and financial aid to California students and their families.

The CSU also recommends that the Office of Higher Education and Financial Aid establish an advisory panel as well as other consultative opportunities between and among the Office of Higher Education and Financial Aid, higher education governing boards, administrative offices of postsecondary education segments and institutions, and higher education constituents on policy issues of mutual interest. Formal advisory opportunities can provide guidance and recommendations to the Secretary for the Office of Higher Education and Financial Aid with representatives from K-12, higher education, and any other constituent groups from whom the Secretary wants advice.

The CSU supports the Governor's recommendation that the Office of Higher Education and Financial Aid review and recommend student financial aid policies, administer state-funded financial aid programs, provide information to students about preparing academically for college, and provide information about financing the cost of higher education. These functions are critical to the goals of ensuring continued academic preparation for and access to a postsecondary education for all Californians, promoting an educated citizenry, and meeting the state's need for a qualified workforce.

With the transfer of the California Student Aid Commission's policy functions to the Office of Higher Education and Financial Aid, the State has an opportunity to further improve service to students and their families by shifting the administration of all financial aid programs to system and campus financial aid offices. Currently, students apply for all forms of financial aid, except Cal Grants, at their campus of choice. Students who also want to apply for the state's Cal Grant program apply separately to the California Student Aid Commission. CSU recommends that to make this process easier for students and more efficient, the final reorganization plan should shift the process for determining student eligibility for all state, institutional, and federal financial aid for needy students to financial aid offices at

participating postsecondary institutions. Currently, CSAC administers three state grant programs: the Cal Grant A, B, and C Entitlement and the Competitive Cal Grant programs. In addition, CSAC administers repayment agreements and loan assumption agreements for APLE and Grad APLE contracts as well as Cal Grant T awards that require repayment if the recipient does not teach. CSU financial aid offices administer twenty-five state, institutional, and federal grant, loan, and work financial aid programs. At the CSU, Cal Grant funds received by students represent only 7.8 percent of the total financial aid received by students. Decentralizing the administration of the Cal Grant entitlement programs in conjunction with the proposed reorganization makes ultimate good sense and will benefit students and their families in several ways:

- It will simplify the financial aid application process for students and their families.
- Students will no longer need to submit a separate financial aid application to a state agency to apply for a Cal Grant.
- Students can apply for all state, institutional, and federal financial aid grant, loan, and work programs by filing only one financial aid application to the institution.
- Campuses have all necessary student and family financial information as well as information about the student's academic record necessary to determine student eligibility for a Cal Grant Entitlement award.
- Student financial aid eligibility will be confirmed by one campus rather than by the campus and a state agency.
- Students will receive one financial aid award letter that lists all state, institutional, and federal financial, including eligibility for the Cal Grant. Currently, campuses send financial aid award letters to students in March and April while students have to wait until May or June to receive information from CSAC about Cal Grant eligibility.
- State administrative costs that are duplicative of campus efforts will be eliminated.
- Converting the Cal Grant programs to a campus-based administrative structure will make the financial aid application process less confusing for students.

The recommendation to distribute or decentralize certain administrative procedures for the Cal Grant program in no way detracts from the State's role in and control over establishing policy for the Cal Grant programs. It is CSU's understanding that the Office of Higher Education and Financial Aid will continue to establish policies along with the State's elected officials that affect the Cal Grant programs.

The CSU believes that Governor Schwarzenegger's proposal to establish a new Office of Higher Education and Financial Aid that consolidates CPEC and CSAC functions addresses the need for California to have a locus within state government to discuss and recommend state policy issues related to access and affordability of postsecondary education.